

ORIGINAL

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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In the Matter of )  
 )  
1998 Biennial Regulatory Review -- )  
Petition For Section 11 Biennial Review )  
Filed by SBC Communications, Inc., )  
Southwestern Bell Telephone Company, )  
Pacific Bell, and Nevada Bell )

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

CC Docket No. 98-177

COMMENTS

BellSouth Corporation, on behalf of itself and its subsidiaries, ("BellSouth") hereby submit its comments in the Notice of Proposed Rulemaking ("Notice"), FCC 98-177, released November 24, 1998, in the captioned proceeding.

On May 8, 1998, SBC Communications, Inc. ("SBC") submitted a petition for Section 11 Biennial Review in which it requests the Commission to "undertake the complete review of regulations ordered by Congress in Section 11 [of the Telecommunications Act of 1996]."<sup>1</sup> While the Commission has initiated several proceedings as part of its biennial review process, the scope of these initiatives has been quite narrow. As the SBC petition evidences, there are numerous opportunities to streamline and make more efficient the Commission's system of regulations that have not been taken advantage of in the biennial review proceedings. Striving to improve regulatory and administrative processes is a policy objective that advances the public

<sup>1</sup> As stated in the Notice, pursuant to Section 11, the 1996 Act "instructs the Commission, in every even-numbered year beginning in 1998, to 'review all regulations issued under [the 1996 Act] in effect at the time of the review that apply to the operations or activities of any provider of telecommunications' and to 'determine whether any such regulation is no longer necessary in the public interest as a result of meaningful competition between the providers of such service.'" Notice ¶ 2.

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interest. It spurs efficient investment, enhances competition and increases consumer welfare. In summary, undertaking the comprehensive review recommended by SBC would be consistent with the pro-competitive, de-regulatory objectives of the Telecommunications Act.

**I. BellSouth Supports the SBC Petition**

BellSouth agrees with SBC that the Commission should “commit to an exhaustive review” including the items listed in the Petition. Specifically, BellSouth supports the following items set forth in the Petition:

**A. Tariffing Services Subject to Competition.**

BellSouth agrees with SBC that local exchange companies (“LEC”) are entrenched in fierce competition in high capacity special access services. Competitors can provide these services directly to customers through their own facilities and require no interconnection with the LEC. Competition and the lack of need for LEC facilities have demonstrated that LEC competitors are playing on a level field. Therefore, it is hardly fair to tilt the field in their favor by continuing to force dominant pricing and tariffing regulations only on the LECs. The LECs should be free to price such services on a negotiated basis.

Accordingly, BellSouth contends that price regulation for these services is ripe for forbearance pursuant to Section 10 of the 1996 Act. As requested in the Notice, BellSouth supports forbearance through permissive detariffing.<sup>2</sup>

**B. Part 64 CAM Simplification.**

BellSouth also supports the proposals in SBC’s petition to simplify the Cost Allocation Manual (“CAM”) requirements established in Part 64. Many of the regulations in Part 64 have long outlived their usefulness and should be eliminated. The Commission

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<sup>2</sup>See comments filed by BellSouth and the United States Telephone Association (“USTA”) in CC Docket 98-137 describing BellSouth position in support of permissive detariffing.

recognized this need in its biennial review of accounting and cost allocation requirements in CC Docket 98-81.<sup>3</sup> The changes proposed by that proceeding, however, fell short of eliminating many of the rules that are no longer needed in a price cap environment. While BellSouth fully supports the changes proposed in SBC's Petition, it also incorporates by reference the comments it filed in the *Accounting Simplification* proceeding.

In its comments in *Accounting Simplification*, BellSouth proposed several changes to Part 64 and other accounting rules, including eliminating Class A account structure for all LECs, not just mid-sized LECs.<sup>4</sup> As demonstrated in those comments, a Class A account structure is but one example of burdensome regulation held over from the rate-of-return regulation era. The Commission should recognize that this era has passed and should no longer regulate with rules that were developed by outdated thought.

### **C. Cash Working Capital Studies**

BellSouth strongly supports the SBC proposal to change the cash working capital lead-lag study requirement. BellSouth agrees with SBC's assertion that the present lead-lag study methodology is overly burdensome given the large amount of time required to complete the study<sup>5</sup> and the limited impact on the rate base. The proposal to permit carriers to elect one of several approaches would provide maximum flexibility in this area and should be adopted by the Commission.

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<sup>3</sup> *In the Matter of 1998 Biennial Regulatory Review – Review of Accounting and Cost Allocation Requirements, United States Telephone Association Petition for Rulemaking*, CC Docket No. 98-81, ASD File No. 98-64 (*Accounting Simplification*).

<sup>4</sup> The *Accounting Simplification* proceeding proposed to allow all mid-sized LECs (those with revenue less than \$7 billion) use a Class B account structure, while all large LECs (those with revenue over \$7 billion) were to remain under a Class A structure.

<sup>5</sup> BellSouth estimates that it takes approximately one to two man-years to complete this study.

#### **D. Affiliate Transactions Rules**

Pursuant to the request in the Notice for general comments regarding other ways to simplify the affiliate transaction rules, BellSouth once again directs the Commission's attention to its comments filed in *Accounting Simplification*. BellSouth proposed such recommendations in section III.A.2., Affiliate Transactions Rules. Accordingly, BellSouth fully supports the recommendations set forth in the SBC petition and reiterates its referenced proposals in the *Accounting Simplification* proceeding.

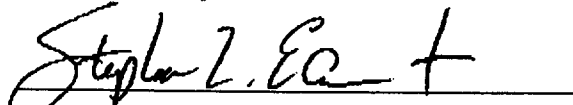
#### **II. Conclusion**

The Commission's obligation under Section 11 of the 1996 Act is clear. The Commission should therefore commit to moving forward with its biennial review process including each of the items presented in the SBC Petition.

Respectfully submitted,

**BELLSOUTH CORPORATION**

By its Attorneys

A handwritten signature in dark ink, appearing to read "Stephen L. Earnest", is written over a horizontal line.

Stephen L. Earnest

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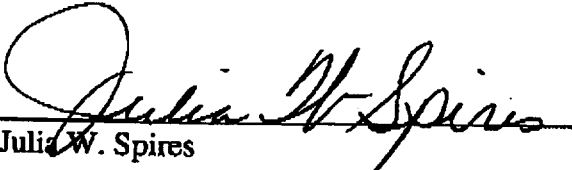
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Date: January 11, 1999

## CERTIFICATE OF SERVICE

I hereby certify that I have this 11th day of January 1999, serviced all parties to this action with the foregoing *COMMENTS*, reference CC Docket 98-177, by hand service or by placing a true and correct copy of the same in the United States Mail, postage prepaid, addressed to the parties as set forth on the attached service list.

  
Julia W. Spires

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